Bill Analysis

Peter A. Cooper *Legislative Service Commission*

Sub. S.B. 6

123rd General Assembly
(As Passed by the Senate)

Sens. **Armbruster, Johnson, DiDonato, Drake, Blessing, Brady, Carnes, Cupp, Fingerhut, Hottinger, Latell, Latta, Nein, Oelslager, Spada, Watts, White, Kearns, Wachtmann, Schafrath, Herington, Gardner**

BILL SUMMARY

- Increases the income brackets used to determine eligibility for the homestead exemption and the manufactured or mobile home exemption.

- Indexes the income brackets to increases in general price inflation.

CONTENT AND OPERATION

Homestead exemption income eligibility expanded

(secs. 323.152(A) and 4503.065(B))

The homestead exemption is available to limited-income homeowners who are 65 years of age or older or permanently and totally disabled. Surviving spouses of persons who received the homestead exemption at the time of death also qualify for it, provided the surviving spouse is between ages 59 and 65 when the deceased spouse dies. A similar exemption is available for limited-income owners of manufactured and mobile homes who satisfy the same criteria. Both exemptions are granted in the form of a reduction in taxes on the homestead or manufactured or mobile home.

The exemptions are computed by determining the "reduction in taxable value" that applies to the homestead or manufactured or mobile home. (In the case of the manufactured home exemption, the reduction is in "assessable value.") The reduction in taxable value is prescribed in a statutory table and depends upon the "total income" of the eligible homeowner and his or her spouse. The local tax rate is then multiplied by the reduction in taxable value to arrive at the amount of the reduction in taxes. The property tax revenue foregone by local taxing authorities because of the exemption is reimbursed by the state.

Currently, the reduction in taxes afforded an eligible taxpayer by the homestead and manufactured or mobile home exemptions equals the amount obtained by multiplying the tax rate by the reduction in taxable value shown in the following table:

Current law

If total income is	Reduce taxable value by the lesser of
$10,800 or less	$5,000 or 75%
$10,801 to $15,800	$3,000 or 60%
$15,801 to $20,800	$1,000 or 25%
More than $20,800	-0-

Increased total income criteria

The bill proposes increasing the income brackets as follows:

Proposal

If total income is	Reduce taxable value by the lesser of
$11,900 or less	$5,000 or 75%
$11,901 to $17,500	$3,000 or 60%
$17,501 to $23,000	$1,000 or 25%
More than $23,000	-0-

Indexing of income limits

(secs. 323.152(A)(3) and 4503.065(B)(2); Section 3)

In addition to making the increase in the income brackets, the bill provides for automatic increases in the income amounts to account for price inflation. The adjustment would be made annually to track increases in the Gross Domestic

Product Deflator, a broad gauge of general price inflation. Specifically, beginning in 1999, the Tax Commissioner must determine the annual percentage increase (if any) in the price deflator for the period running from July 1 of the preceding calendar year to June 30 of the current calendar year, and increase the income limits by that percentage. The income limits must be rounded to the nearest multiple of $100. The Tax Commissioner must certify the adjustments to each county auditor by December 1 each year. The adjusted limits apply to the following tax year.

The bill's increase of the income brackets first applies to real property taxes paid for 1999 (generally reflected in tax bills due in 2000) and to manufactured home taxes payable in 2000.

HISTORY

ACTION	DATE	JOURNAL ENTRY	
Introduced	01-20-99	p.	26
Reported, S. Ways & Means	03-04-99	p.	160
Passed Senate (33-0)	03-10-99	pp.	185-186

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